

October 31, 2008

Philip Guidice, Commissioner  
Department of Energy Resources  
100 Cambridge Street, Suite 1020  
Boston, MA 02114

RE: Comments Addressing Section 105 of Chapter 169 of the Acts of 2008

Dear Commissioner Guidice:

I am writing on behalf of NSTAR Electric Company (“NSTAR Electric” or the “Company”) at the invitation of the Department of Energy Resources (“DOER”) regarding initial comments that were filed by various stakeholders regarding Section 105 of Chapter 169 of the Acts of 2008 (the “Green Communities Act” or “GCA”). Specifically G.L. Chapter 25A, Section 11F requires that regulations be established around the creation of a “Class II” renewable energy generating resource requirements, for facilities that began commercial operation before Dec 31 1997. DOER has invited parties that wish to do so, to respond to those initial comments. In this document NSTAR Electric will provide responsive comments.

As the DOER is well aware, the electric ratepayers in the commonwealth currently pay some of the highest electricity prices in the United States. In addition, overburdened ratepayers are presently funding investments in renewable energy projects via the Massachusetts Renewable Energy Trust Fund and the current Renewable Portfolio Standard (RPS) program. Significant additional requirements will compound the burden on ratepayers resulting in financial hardship and job losses in Massachusetts. The DOER must balance the Legislature’s goals of promoting alternative energy technologies with the economic realities of high energy costs.

NSTAR electric would like to make three principal recommendations for the DOER as it works to develop and implement Class II standards.

- The program should be simple to administer with no technology carve-outs
- The DOER is tasked with setting the percentage of kilowatt-hour sales from Class II resources. The percentage should initially be very small and should decrease rapidly over a short period of time.
- The Alternative Compliance Payment (ACP) should be set low as priority should be to encourage the development of additional Class I resources.

### **The program should be simple to administer with no technology carve-outs**

NSTAR electric continues to believe the design of the program should contain clear rules that are simple to administer with no carve-out for specific technologies. Some parties have commented that there should be specific carve-outs for different technologies. Doing this would complicate the process making it much more difficult and costly to administer. Rather than further complicating the market for existing resources that are not going to increase, priority should be given to making one distinction for these resources and that is additional funding if they need it for pollution control equipment that they cannot otherwise fund.

### **RPS percentages should be set low and allocated to resources that prove the needs.**

The percentage of sales of eligible end use customers that qualify for Class II should be set according to the volume of Class II resources that can prove the need for more funding. Class II resources are limited in quantity and are declining in volume as they are replaced by newer more efficient resources. In addition, the capacity factor of these resources declines over time as they compete with higher efficiency units. Funding their continued operation diverts dollars from newer, cleaner and more efficient resources.

### **Set the Alternative Compliance Payment (ACP) based on specific needs**

The focus for REC payments should continue to be on those resources identified by the DOER as Class I because they are the most economical and efficient. The ACP for Class II should be established for those units that require pollution control equipment to remain economically viable.

### **Conclusion**

Massachusetts electric ratepayers should not be burdened with the cost of old, inefficient operating resources. The focus should be on cleaner and more efficient Class I resources. To this end, the percentage of kilowatt-hour sales from Class II resources should be very small and decrease rapidly over time. Finally, the DOER should set the Class II ACP levels as low as practical in order to benefit only those units that can demonstrate the economic need to install pollution control equipment.

NSTAR ELECTRIC COMPANY \_\_\_\_\_

By: Jeffery S. Waltman

Name: Jeffery S. Waltman

Title: Manager, Planning and Power Supply